

Message Text

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PAGE 01 BUDAPE 03173 160837Z
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FM AMEMBASSY BUDAPEST
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INFO USMISSION GENEVA
AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW

UNCLAS BUDAPEST 3173

E.O. 11652: N/A

TAGS: ECON, PDEV, PGEN, HU

SUBJECT: JANOS NYERGES DISCUSSES U.S.-HUNGARIAN TRADE RELATIONS

REF: BUDAPEST 3155 (NOTAL)

1. SUMMARY: JANOS NYERGES, PRINCIPAL GOH TRADE NEGOTIATOR, REVIEWED U.S.-HUNGARIAN TRADE RELATIONS AT THE U.S.-HUNGARIAN ECONOMIC COUNCIL SESSION SEPTEMBER 13. HIS PRESENTATION BROUGHT OUT TRADE POLICY PROBLEMS INVOLVED IN NEGOTIATING A TRADE AGREEMENT UNDER TITLE IV OF TRADE ACT -- ISSUES WHICH HAD BEEN OBSCURED IN OTHER DISCUSSIONS BY THE POLITICAL OBSTACLES TO AN MFN AGREEMENT. HE DID CONCEDE, IN RESPONSE TO A DIRECT QUESTION, THAT IT MIGHT BE POSSIBLE TO CONCLUDE A MEANINGFUL TRADE AGREEMENT WITHIN THE FRAMEWORK OF THE TRADE ACT DESPITE THESE PROBLEMS. END SUMMARY

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2. NYERGES REVIEWED HUNGARY'S EFFORTS TO PARTICIPATE MORE FULLY IN THE WORLD TRADING SYSTEM, INCLUDING GATT ACCESSION, AND NOTED THE CORRESPONDENCE BETWEEN HUNGARY'S TRADE POLICY AND THE STATED OBJECTIVES OF THE TRADE ACT OF 1974. HE DISCUSSED SOME OF THE DIFFICULTIES WHICH TITLE IV OF THE TRADE ACT WILL POSE FOR HUNGARY. NYERGES STATED IN CONCLUSION: QTE APART FROM THE

POLITICAL PROBLEMS WHICH CERTAIN PROVISIONS OF YOUR TRADE ACT HAVE CREATED, THE MOST FAVORED NATION TREATMENT, AS ENVISAGED BY THE TRADE ACT, IS NOT UNAMBIGUOUS, IT CALLS FOR A LOT OF QUALIFICATIONS. A MOST FAVORED NATION TREATMENT ACCORDED PROVISIONALLY, REVISED CONTINUOUSLY, AND APPLIED ONLY IN RESPECT OF CUSTOMS DUTIES, CAN BE MADE NULL AND VOID BY A NUMBER OF OTHER MEASURES. THEREFORE, IN ADDITION TO THE SOLUTION OF THE POLITICAL ISSUES, IT IS NECESSARY TO NEGOTIATE THOROUGHLY THE ECONOMIC AND LEGAL CONTENT OF THE AGREEMENT. UNQTE

3. NYERGES ALSO OFFERED EVIDENCE OF THE DISTORTION CAUSED BY LACK OF MFN IN PRESENT U.S.-HUNGARIAN TRADE. OF PRESENT HUNGARIAN SALES TO THE U.S., 60 PERCENT ARE IN TARIFF CATEGORIES WHICH ARE EITHER DUTY-FREE OR IN WHICH THERE IS NO DIFFERENCE BETWEEN MFN AND NON-MFN TARIFF RATES. FORTY PERCENT OF U.S. SALES TO HUNGARY FALL WITHIN THESE EXCEPTIONAL CATEGORIES, WHEREAS OVER 90 PERCENT OF WEST GERMAN EXPORTS TO HUNGARY ARE IN CATEGORIES SUBJECT TO MFN RATES. PRG SALES TO HUNGARY CONSIST OF 660 TARIFF NUMBERS, WHILE U.S. SALES CONSIST OF ONLY 238. THE IMPLICATION OF THESE FIGURES IS THAT U.S.-HUNGARIAN TRADE -- IN BOTH DIRECTIONS -- IS RESTRICTED TO A LIMITED RANGE OF PRODUCTS BY LACK OF MFN, TO THE DETRIMENT OF U.S. AND HUNGARIAN BUSINESSMEN
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4. FOLLOWING THE SPEECH, ONE AMERICAN BUSINESSMAN ASKED IF A MEANINGFUL TRADE AGREEMENT COULD BE CONCLUDED, GIVEN THE PROVISIONS OF TRADE ACT. NYERGES' RESPONSE WAS A QUALIFIED YES; HE SINGLED OUT THE TIME LIMITATION REQUIREMENT AND THE MARKET DISRUPTION PROVISIONS AS THE MOST DIFFICULT ISSUES. HE WAS ALSO ASKED IF HUNGARY MIGHT BE WILLING TO CONCLUDE NEW ORDERLY MARKETING AGREEMENTS (IN ADDITION TO THE MULTIFIBER TEXTILE AGREEMENT). NYERGES REPLIED THAT HUNGARY MIGHT, RELUCTANLY, CONSIDER SUCH AGREEMENTS IF THERE COULD BE ASSURANCES THAT OTHER RESTRICTIVE ACTIONS -- E.G. MARKET DISRUPTION SUITS -- WOULD NOT BE TAKEN AGAINST PRODUCTS ENTERING UNDER SUCH AGREEMENTS. U.S. LAWYER LAJOS SCHMIDT POINTED OUT THAT SUCH ASSURANCES WERE NOT POSSIBLE UNDER CURRENT U.S. LAW.

5. COMMENT: NYERGES WAS LAYING OUT HUNGARIAN NEGOTIATING POSITIONS, AND SOME ATTENDING U.S. BUSINESSMEN FOUND HIS PRESENTATION NEGATIVE AND DISCOURAGING. EMBASSY BELIEVES THAT HIS SPEECH WAS USEFUL IN REMINDING COUNCIL

PARTICIPANTS THAT THE EMIGRATION QUESTION IS NOT THE
SOLE BAR TO MFN, AND THAT SOME THORNY ECONOMIC
NEGOTIATIONS WILL BE REQUIRED BEFORE A TRADE AGREEMENT
CAN BE CONCLUDED. EMBASSY IS FORWARDING A COPY OF
SPEECH TO EUR/EE.
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